

Appendix B

Executive Summary from Benchmarking Analysis

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EXECUTIVE SUMMARY

Introduction

The City of Atlanta Solid Waste Services (SWS), a division of the Department of Public Works, is currently a \$47 million annual operation that provides a wide range of solid waste collection, disposal, and beautification services for the benefit of virtually every resident and business in the City. Broadly speaking, the City provides collection, recycling, and disposal services directly to over 120,600 single family and multi-family customers, as well as beautification services and landfill post-closure maintenance for the benefit of all City residents and businesses.

In 2001, the City established the SWS Revenue Fund (SWS Fund), an enterprise fund to manage a subset of services that have historically been provided by SWS and funded by the General Fund. The transition from general-funded to enterprise-funded solid waste services represents a significant positive step towards creating a best-in-class solid waste management system that is responsive to customer needs and financially self-sustaining. In the FY2004 budget year, the City has continued this transition by reorganizing the SWS Fund internal cost accounts used to manage the range of services provided by SWS. The cost center reorganization represents another positive step that, when completed, will improve the usefulness of reported expenditure data to SWS and City management that can be used to better manage the system.

The City retained the Project Team consisting of R. W. Beck and a Joint Venture between CH2M HILL and Williams-Russell and Johnson, Inc. (the JV) to conduct a detailed operational and cost benchmarking evaluation of the City's collection services. The objectives of the project were to evaluate the operational efficiency and direct costs of the City's core waste and recycling collection services and compare Atlanta's service model and performance against relevant benchmarks, including both public and private sector service delivery models.

Although SWS provides a wide range of services, this analysis was limited to core collection activities. Core collection services include:

- Residential single-family refuse collection;
- Residential multi-family refuse collection;
- Residential recycling collection;
- Residential yard waste collection;
- Residential bulky item collection; and
- City building (institutional) refuse collection.

This project excluded a wide range of other services provided by SWS, including: street basket collection, street sweeping, dead animal collection, vacant lot cleaning, right-of-way maintenance, signage removal, and other services that benefit all City residents and businesses rather than one class of customer directly.

Methodology

In order to comprehensively and accurately evaluate the City's core collection services, our analysis included the following components:

- **Field Observations:** R. W. Beck conducted field observations of all core collection services to gather pertinent operational parameters of the City's collection operations. These observations encompassed multiple routes for each of the core collection services provided by the City, departing from all four of the City's substations.
- **Interviews and Focus Groups:** Interviews were conducted with SWS' management, substation operations managers and collection crews, as well as representatives from Motor Transport, Finance, and other City departments that were needed to provide additional background.
- **Benchmarking:** To place Atlanta's operations and costs in the context of other municipalities across the country, we benchmarked City of Atlanta operating and cost parameters against roughly 30 other cities (some of which use private haulers) that provide solid waste collection services to residential and commercial/institutional customers.
- **Desktop Operational and Cost Analysis:** The data obtained from field observations, interviews and focus groups, and from benchmark communities, were compiled in a detailed operational and cost analysis of daily service levels, vehicle inventories and staffing levels, the SWS budget, and other available cost and expenditure data.

Key Findings and Conclusions

Based on the analyses, observations, and benchmarking performed, we identified the following three key findings that must be addressed for Atlanta to achieve best-in-class solid waste collection service capabilities and to reduce costs:

- Fleet replacement and maintenance policies and practices;
- Set-out limit policies and enforcement; and
- Collection productivity.

These findings are discussed below.

Fleet Replacement and Maintenance

It was reported from multiple sources within the City (SWS and Motor Transport) and subsequently confirmed by our analysis of the solid waste fleet inventory, that the City's fleet replacement and maintenance program for solid waste vehicles has been inconsistent. The SWS fleet is aged and underfunded. The City's fleet age and maintenance costs exceed industry averages as compared to both public and private entities. In February 2004, United Parcel Service (UPS) performed an assessment of the fleet and recommended the implementation of a maintenance and replacement schedule. However, implementation of this type of program requires a high capital investment that is currently not available.

The age of the fleet has an impact on the City's productivity and operating costs. Data gathered indicated that:

- There has been no consistent equipment replacement since 1996, which is consistent with UPS' report.
- In total, the average age of solid waste fleet vehicles is roughly double the age one would expect if the City were to maintain industry-standard fleet replacement practices.
- The City's spare vehicle rate, at 42 percent, is high and indicative of the age of the fleet. A consistently maintained and replaced fleet typically requires no more than a 20 to 25 percent spare ratio.
- The City's repair and maintenance costs exceed expected levels by 50 to 100 percent, depending on the type of truck.

Based on the recommendations contained in the UPS report, the City is in the process of implementing a fleet replacement program that will help reduce overall costs. To upgrade and right-size the fleet in accordance with solid waste industry fleet maintenance standards, the City will need additional capital. By upgrading and right-sizing the fleet, the City can immediately realize a \$2.8 million reduction in annual vehicle operating and maintenance costs. Although this may require a higher up-front capital outlay, failure to address the solid waste fleet needs will constrain SWS from providing the most cost effective solid waste collection service.

Set-out Limits

During the field observations, the JV team observed that single family and multi-family residents are accustomed to setting out almost anything and having it removed on a timely basis by the City. As part of our comparative analysis, we noted that:

- Set-out limits established in the City ordinances are higher than most cities and private haulers. *Article II. Municipal Collection and Disposal System, Division 1. Section 130-37. Residential Garbage from Single-Family Dwellings*, allows for a high amount of solid waste to be placed at the curbside. The ordinance allows for a 90 gallon Herbie Curbie and an additional five bags of refuse to be placed at the curbside and collected. Section 130-36, of the same ordinance, stipulates

requirements for the preparation and type of containers to be used for yard waste; however, there are no limits on the quantity of yard waste that residents can set out on a given week. In addition, field observations conducted by R. W. Beck found several residents not adhering to the set-out limits in the City ordinances and were observed placing out higher amounts of refuse.

- There are opportunities for the City to educate residents regarding the need to place all non-bulky waste items in the City-provided Herbie Curbies. Compared to other cities and private haulers that provide semi-automated, cart-based solid waste collection, Atlanta was observed to have a far higher out-of-cart set-out rate, which negatively impacts the City's collection productivity. Other cities and private haulers that provide cart-based service tend to charge a higher rate for households that require additional carts to handle waste that does not fit into the cart included in the base level of service, which more equitably recoups collection and disposal costs than a flat rate system.
- State law and City code requires the separation of bulky brush from other bulky waste items in the bulky waste collection system, because yard waste cannot be sent to a landfill. We observed that bulky brush was not separated from bulky waste, which results in large quantities of bulky brush being disposed at the higher landfill tip fee, rather than at a lower yard waste processing fee.

Compared to other cities and private haulers across the country and the Southeast, Atlanta is among the least restrictive for set-outs in their solid waste system. While this may be perceived as a customer-friendly service to City residents, it limits the City's ability to control costs by standardizing collection system operational parameters.

Collection Productivity

Based on our analysis of collection practices, Atlanta has numerous opportunities to improve its operational productivity. Detailed examples and recommendations are contained in the body of this report; several of the more important productivity improvements are highlighted below to achieve "best-in-class" solid waste status:

- The current shift of the City's refuse collection resources from scheduled, routed collection on Monday through Thursday to a "resolution day" on Friday is not efficient. Friday collections target out-of-cart waste and bulky items that could be collected during the regularly scheduled collection day by regular crews. The City could achieve higher productivity with dedicated collection crews working four 10-hour or five 8-hour days each week, and either eliminating the "resolution day" or else dedicating a small number of crews to resolve problem set-outs during all five days of the week.
- Use of the rubber-tire loaders for bulky waste collection is inefficient. A loader is slower than a grapple truck, has no bed for storing materials, and has limited range. Grapple trucks can be supported by fewer dump trucks, assuming proper logistics management of the dump trucks going to and from the grapple trucks and the landfill.

Direct Cost Summary

The benchmarking study performed as part of this project observes that Atlanta's base solid waste rate, at \$337.19 per year (including recycling) plus a frontage fee, and the direct cost for core collection services, are high compared to most other cities and private haulers. These higher costs are attributed to the large amount of services that the City provides (refuse, recycling, and yard waste collection, beautification services, and landfill post-closure maintenance); the high set-out limits and lack of adherence to the limits; the aging fleet and productivity issues. This benchmarking study, however, only evaluated the direct costs of the core collection services provided by the City, and did not conduct a cost-of-service and rate analysis for all of the services provided by SWS. Note that a cost-of-service and rate analysis has since been conducted in a separate study by the JV, and that the results of that study may supersede the findings in this report.

Recommendations

Based on the key findings and conclusions, we believe that the City should consider implementing the following recommendations. It is understandable that some of these recommendations can be implemented more rapidly than others. For that reason, the recommendations have been divided into two categories – Short-Term and Long-Term.

Short-term Recommendations

Short-term recommendations are defined as those that can be initiated in the next 12 – 18 months. Based on our analysis, it is recommended that the City can take several steps in the short term to begin to improve its solid waste collection system. These include:

1. Establishing and consistently funding a fleet replacement program to significantly reduce fleet costs. The City's fleet is aging and has an impact on the City's productivity and operating costs. The City is in the process of implementing this type of program, which will help drive overall operational costs down, however additional capital is needed. We recommend that the City allow SWS to continue to establish a long-term vehicle replacement plan that projects the capital funding needs for a ten-year time horizon, and that the City subsequently fund these vehicle replacement needs.
2. Potentially modifying set-out limits, educating residents on established limits, and subsequently enforcing the limits for residential garbage, yard and bulky waste. Specifically:
 - Eliminate the allowance of up to five bags to be placed outside of the Herbie Curbie, and instead require all refuse (with the exception of bulky items) be placed in the Herbies.

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- Continue to educate residents through the Solid Waste Education and Enforcement Team (SWEET) program, that all refuse must be placed in Herbie Curbies.
 - Continue to educate residents (through the SWEET program) about the separation of bulky brush from bulky waste items when set out at the curb.
 - Establish set-out limits in the yard waste/bulky waste system.
 - Take enforcement action regarding set-out limits after the educational process has been completed. The goal is to encourage compliance while balancing customer satisfaction, litter control, and illegal dumping.
3. Addressing the productivity and operational efficiency opportunities identified in this report. These improvements can be made in a relatively short (six months or less) timeframe if the City dedicates resources to resolving these issues. Additional productivity recommendations are included in Section 2 of this report for each of the core collection services provided by the City. The City of Atlanta has an opportunity to increase productivity and collection efficiency while reducing costs. Key recommendations to consider are:
- Implementing a Task Pay System. Task pay systems have been shown to greatly improve collection productivity, provided the tools are available to define the customer base and to track route-specific collection quantities.
 - Returning to a weekly yard waste collection system. This change would reduce the size of the set-out, allowing for easier and more cost-effective collection by the more efficient rear loader.
 - Retiring the rubber-tire loaders from providing bulky waste collection and replace with grapple trucks, since rubber-tire loaders are slower, have no bed for storing materials, and have a limited range. As mentioned in the conclusions, use of a grapple truck is more efficient.
 - Considering the use of dedicated collection crews working either four 10-hour days or five 8-hour days each week to achieve higher productivity.
4. Perform a cost-of-service and rate analysis study. We recommend that the City conduct a cost of service analysis that would identify the cost of providing each of the solid waste services and develop options for recovery of these costs in a fair and equitable manner from those benefiting from the services provided. In addition, an economic assessment of the solid waste program (current costs plus changes contained in the Updated Long-Term Solid Waste Management Plan) should be performed to determine the future full cost of solid waste management in the City. This analysis will build on information obtained during the benchmarking study and will determine the cost of the solid waste program to customers. Recommendations will be made regarding rates and future revenues sufficient to support the full cost of the Solid Waste Services Department throughout the 10-year planning period. We note that a cost-of-service study is currently being conducted by the JV, and will be completed in June 2005.

5. Continuing the financial management transition that SWS is currently implementing that will more closely align the SWS Fund internal cost centers with the range of services provided, improving management's ability to manage the system and implement positive change. This transition appears to be moving SWS in the right direction by making accurate system costs more readily available by the end of FY06. When the full transition is complete, the City will have more accurate data on the direct costs of each component of its collection system.

Long-term Recommendations

Long-term recommendations are those that may take longer than 12 months to 18 months to implement. Over the long term, we recommend that the City consider the following:

1. Use of a routing software package to improve the overall route balance. Atlanta is large enough that a routing software system could significantly improve the overall route balance and flexibility of making routing improvements, especially in light of the City's transition to new transfer stations for solid waste disposal. Based on discussions with SWS staff, we understand that the City purchased the RouteSmart software package. However, since the software was cumbersome and not user friendly, the software has not been maintained or utilized. It is our opinion that such a system would greatly benefit the City. We suggest one of the two options listed below:
 - Resurrect the use of the RouteSmart software package and use an independent firm to maintain and update the system on a regular basis. The RouteSmart system is current through 1998 and would need to be updated to include residential data through 2004.
 - If the City prefers not to use RouteSmart, then conduct an evaluation of software packages to determine the advantages, disadvantages, and comparative costs. Depending on the ease of use, the City can then decide if an independent firm is needed to maintain the system.
2. Compile and maintain detailed service level and unit count data for all multi-family (apartments, condominiums and public housing) properties serviced by SWS. Multi-family rates differ widely based on the type of service (Herbie or dumpster) provided to the property. We recommend that the City continue to monitor that the rates currently being charged are in alignment with the services provided.
3. Continue to monitor and re-evaluate the operational efficiency of the collection program on a regular basis. Specifically, assess the level of fleet replacement and productivity improvement within 12 to 18 months to determine if significant progress has been made in both areas. If little or no progress has been made to the fleet replacement program, set-out limits, or the productivity issues identified herein, the City should formally re-evaluate and re-assess their collection program.

